

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 3473

LIMDIS

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TAGS: EFIN PL
SUBJECT: KEY PARTY ECONOMIC ADVISOR EXPRESSES DOUBTS THAT POLAND
WILL DECIDE TO JOIN THE INTERNATIONAL MONETARY FUND SOON

REF: (A) WARSAW 2776 (NOTAL), (B) WARSAW 1624

1. SUMMARY: EMBASSY OFFICERS MET WITH PROFESSOR PAWEL BOZYK,
A KEY ECONOMIC ADVISOR TO PARTY LEADERS. BOZYK SAID POLAND WOULD
PREFER TO WAIT TO APPLY FOR IMF MEMBERSHIP AT A TIME WHEN
THE "POLITICAL DISADVANTAGES" OF THIS STEP COULD BE OVERCOME.
HE SAID THAT, IF THE CEMA COUNTRIES DECIDED TO APPLY FOR INF
MEMBERSHIP AT THE SAME TIME, OR IF POLAND'S APPLICATION COULD
BE PRESENTED IN A WAY WHICH WOULD NOT SEEM TO JEOPARDIZE THE
JOINT CEMA FRONT IN NEGOTIATIONS WITH THE EC, THEN THE
POTENTIAL POLITICAL NEGATIVES WOULD BE MINIMIZED. WHEN
QUESTIONED, BOZYK STOPPED SHORT OF SAYING THAT THESE
CONSIDERATIONS COMPLETELY TIED POLAND'S HANDS WITH
REGARD TO JOINING THE FUND. HE SAID THAT A DECISION
ON APPLYING FOR MEMBERSHIP WOULD BE MADE "WITHIN THE
NEXT FEW MONTHS" AND THAT IT WOULD BE MADE ON THE BASIS
OF LONG-TERM CONSIDERATIONS. HE SAID THE POSSIBILITY OF
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OBTAINING "A FEW HUNDRED MILLION DOLLARS" IN IMF CREDITS
WOULD ONLY WHET THE APPETITE OF POLISH COMPANIES FOR
ADDITIONAL IMPORTS AND SHOULD THEREFORE NOT INFLUENCE
THE GOP'S DECISION IN A MAJOR WAY. END SUMMARY.

2. OUR MEETING WITH PROFESSOR PAWEL BOZYK, REPORTED IN
WARSAW 3325 (NOTAL, PROVIDED A GOOD OPPORTUNITY TO

REVIEW POLAND'S CURRENT ECONOMIC POLICY. BOZYK GAVE A CONFIDENT EXPLANATION OF THE NEW ECONOMIC POLICY ESTABLISHED DURING THE FIFTH PLENUM IN DECEMBER, 1976. BOZYK OF COURSE POINTED TO THE NEGATIVE EFFECT OF SLOW ECONOMIC RECOVERY IN THE WEST AS A PRINCIPAL REASON FOR POLAND'S FAILURE THUS FAR TO MEET ITS EXPORT GOALS. HE AGREED THAT POLAND'S HARD-CURRENCY DEBT WAS A SUBJECT OF CURRENT INTEREST IN THE WEST, BUT SAID HE THOUGHT IT SHOULD BE ANALYZED IN TERMS OF POLAND'S ECONOMIC POTENTIAL AND THE ADJUSTMENTS IN ECONOMIC POLICY WHICH HAD BEEN UNDERTAKEN AFTER THE FIFTH PLENUM. SIMILARLY, HE SAID, THAT THE POSSIBILITY OF POLAND'S APPLYING FOR MEMBERSHIP IN THE IMF SHOULD BE LOOKED AT FROM A LONG-TERM PERSPECTIVE.

3. BOZYK, WHO HAD OBVIOUSLY ANTICIPATED OUR QUESTIONS ON THE IMF, SAID THAT POLAND AND THE OTHER CEMA COUNTRIES HAVE BEEN STUDYING THE QUESTION OF IMF MEMBERSHIP. HE SAID POLAND WOULD PROBABLY REACH A DECISION "WITHIN THE NEXT FEW MONTH," BUT THAT WE SHOULD REMEMBER "THE LONG AND NOT-TOO-HAPPY HISTORY" OF POLAND'S RELATIONSHIP, OR LACK THEREOF, WITH THE IMF (WARSAW 2776).

4. BOZYK SAID THAT POLISH INTERNATIONAL ECONOMISTS HAD FOR SOME TIME BEEN URGING THE GOVERNMENT TO SEEK MEMBERSHIP IN THE IMF. HE SAID THE ECONOMIC BENEFITS OF IMF MEMBERSHIP WERE KNOWN BUT THAT POLAND WOULD PREFER TO WAIT FOR A MOMENT WHEN THESE BENEFITS WOULD NOT BE NEGATED BY "POLITICAL DISADVANTAGES." BOZYK SAID THAT, FROM THE POLISH PERSPECTIVE, IT WOULD BE GOOD IF THE

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OTHER CEMA COUNTRIES DECIDED TO APPLY FOR MEMBERSHIP AT THE SAME TIME. HE ADDED THAT ANY POLISH APPLICATION WOULD HAVE TO BE PRESENTED IN A WAY WHICH WOULD "NOT CONFLICT WITH THE EC-CEMA NEGOTIATIONS." (COMMENT: BOZYK AGREED THAT THE EC-CEMA NEGOTIATIONS WERE A SEPARATE ISSUE FROM THAT OF MEMBERSHIP IN THE FUND. HE SAID THAT A POLISH APPLICATION TO THE IMF WOULD NOT NECESSARILY HAVE TO BE DELAYED UNTIL COMPLETION OF THE EC-CEMA NEGOTIATIONS, WHICH HE RECOGNIZED WOULD PROBABLY TAKE A LONG WHILE. BOZYK REFERRED SPECIFICALLY TO THE FISHERY NEGOTIATIONS WITH THE EC AND GAVE THE STRONG IMPRESSION THAT POLAND WOULD NOT WANT TO APPEAR TO BE BREAKING RANKS WITH THE SOVIETS DURING THOSE TALKS. HE ALSO SAID IT WOULD NOT BE NECESSARY FOR THE CEMA COUNTRIES TO APPLY AS A BLOC. BOZYK LEFT IT CLEAR, HOWEVER, THAT POLAND WOULD NOT TAKE THIS STEP UNTIL IT JUDGED THE POTENTIAL POLITICAL FALL-OUT WITH THE SOVIET UNION WOULD BE MANAGEABLE. END COMMENT)

5. BOZYK SAID THAT ANY POLISH DECISION TO SEEK MEMBERSHIP IN THE FUND WOULD BE BASED ON THE COUNTRY'S LONG-TERM INTERESTS. HE SAID HE REALIZED IT MIGHT BE POSSIBLE FOR POLAND TO OBTAIN SEVERAL HUNDRED MILLION DOLLARS IN IMF LOANS AFTER JOINING. HE SAID, HOWEVER, THAT THESE LOANS DID NOT SEEM NECESSARY AND THAT CONCLUSION OF SUCH LOANS WOULD PROBABLY MAKE IT MORE DIFFICULT FOR THE GOVERNMENT TO RESTRAIN THE IMPORT DEMANDS OF POLISH COMPANIES.

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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 3473

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C O R R E C T E D C O P Y TEXT PARA 7 (STATE 124169)

6. BOZYK ADDED THAT, BEFORE REACHING A FINAL DECISION, IT WOULD BE PREFERRABLE TO KNOW MORE ABOUT THE LIKELY EFFECTS WHICH IMF MEMBERSHIP WOULD HAVE ON THE LONG-TERM RELATIONSHIPS BETWEEN THE ZLOTY AND THE FLOATING WESTERN CURRENCIES. HE SAID ECONOMIC THEORY SUGGESTED NO CLEAR APPROACH TO THIS QUESTION. HE SAID THAT, DURING A RECENT CEMA CONFERENCE ON THIS SUBJECT IN MOSCOW THIS YEAR THERE WAS "ONE THEORY FOR EACH ECONOMIST." HE ADDED THAT CURRENCY QUESTIONS ARE NOW BEING ANALYZED VERY CLOSELY BY CEMA ECONOMISTS BECAUSE THE CURRENT SYSTEM OF CURRENCIES IS INADEQUATE. BOZYK SAID THE POLISH DECISION TO JOIN GATT WAS MADE BEFORE IT EFFECTS ON POLAND'S TRADE HAD BEEN THOROUGHLY ANALYZED. HE SAID POLISH LEADERS HAD REALIZED THAT SOME SPECIAL RULES WOULD BE NECESSARY FOR POLAND'S NON-MARKET ECONOMY TO PARTICIPATE IN GATT

AND HAD JOINED AND THEN LEFT THE ECONOMISTS TO WORK OUT HOW
POLAND' TRADING SYSTEM SHOULD RELATE TO THOSE OF WESTERN
COUNTRIES OVER THE LONG TERM. HE SAID THAT POLAND MIGHT
FOLLOW THIS SAME PROCESS IN MAKING ITS DECISION
ON FUND MEMBERSHIP, BUT IMPLIED THAT HE DID NOT PREFER
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SUCH A COURSE. (NOTE: BOZYK SAID HE WAS A MEMBER OF
THE TEAM WHICH NEGOTIATED POLAND'S ACCESSION TO GATT.)

7. BOZYK WAS WELL-INFORMED ABOUT THE GROWING CONSENSUS IN THE
WEST FOR STRENGTHENING THE ROLE AND RESOURCES OF THE IMF.
HE SAID THAT IT WOULD BE PREFERABLE FOR A COUNTRY SUCH AS POLAND
TO HAVE SOME VOICE IN THE MAJOR DECISIONS TO BE TAKEN ON THE
FUTURE ROLE OF THE FUND AND THAT MEMBERSHIP WAS THE ONLY WAY
TO GAIN SUCH AN OPPORTUNITY.

8. COMMENT: BOZYK HAS BEEN WIDELY DESCRIBED TO US AS
THE ECONOMIST MOST INFLUENTIAL WITH PARTY LEADERS. HE
HANDLED QUESTIONS IN THE IMF CONFIDENTLY AND WAS THE
FIRST SOURCE TO PUT THE QUESTION IN THE CONTEXT OF THE
EC-CEMA NEGOTIATIONS. HIS COMMENTS ON THE SENSITIVITY
OF POLAND'S LEADERS TO THE POLITICAL ASPECTS OF A
DECISION ON IMF MEMBERSHIP ARE CONSISTENT WITH THOSE
REPORTED IN REF A.

9. WE BELIEVE, HOWEVER, THAT HE UNDERESTIMATES, PERHAPS
PURPOSELY, THE INFLUENCE WHICH POLAND'S RISING HARD-
CURRENCY DEBT AND THE NEED FOR BALANCE-OF-PAYMENTS
FINANCING WILL HAVE ON THE DECISION WHETHER TO JOIN
THE IMF. AS INDICATED ABOVE, BOZYK SAID THAT A DECISION
WOULD PROBABLY BE MADE "WITHIN THE NEXT FEW MONTHS".
HE DID SO WITHOUT OFFERING OPTIMISM THAT A GREEN LIGHT
WOULD BE OBTAINED. WE BELIEVE THIS MEANS THAT THE GOP
HAS THE QUESTION UNDER RATHER CONSTANT REVIEW AND MIGHT
DECIDE TO PRESS THE MATTER WITH THE SOVIETS IF
CONDITIONS BECOME MORE POLITICALLY PROPITIOUS. POLAND
COULD MOUNT A STRONG ECONOMIC RATIONALE IN SUPPORT OF
THIS STEP. END COMMENT.
DAVIES

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